

AWARD RATES OF PAY INDEXES

New Series to replace WAGE RATES INDEXES

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Introduction

1. This paper describes the conceptual and methodological changes associated with the replacement of the existing series of 'Wage Rates Indexes' by a new and more comprehensive series of 'Award Rates of Pay Indexes'. The new series will be published in *Award Rates of Pay Indexes, September 1982* (6312.0) in December 1982.

2. Indexes of wage rates have been compiled and published since 1913. They have been designed to measure trends in wage rates payable under awards.

3. Since 1954 when the weighting for the index was last revised, new occupations have emerged and some existing occupations have expanded while others have diminished or disappeared altogether. Significant changes have occurred in the relative distribution of occupations between and within industries, and salary earners have become a larger proportion of the total number of employees.

4. The construction of the wage rates indexes is similar in general design to other indexes such as the Consumer Price index and the Wholesale Price Indexes and is based on a representative 'basket' of occupations. The indexes of wage rates, like other indexes, depict movements. They are updated monthly, in the main on the basis of advices of award variations determined or authorised by industrial tribunals.

Award Rates of Pay Indexes

General

5. The new index has been based on the occupation structure existing in May 1976. All full-time adult wage and salary earners whose rates of pay are normally varied in accordance with awards, determinations or registered collective agreements are covered in the index. Approximately 1% of employees are covered by unregistered agreements (i.e. those agreements made by an employer with a group of employees which are not registered with a Federal or State industrial arbitration authority). For statistical purposes these have been considered to be similar to awards. The rates prescribed

in the more important of these, such as the collective agreement between the Commonwealth Bank and its employees, have therefore also been included in the indexes. Rates of pay applicable to approximately 11 per cent of full-time adult wage and salary earners who are not covered by awards, determinations, registered or unregistered collective agreements, are not covered by the indexes.

6. When the decision to re-base the indexes was made, the only suitable source available was the May 1976 Survey of Employee Earnings and Hours, which obtained from a sample of approximately 70,000 employees details of the particular award designation under which they were employed. The updating of data on award rates payable is carried out on the basis of advices of award variations that are determined or authorised by industrial tribunals. Variations to rates of pay in those unregistered collective agreements included in the indexes are obtained directly from the organisations concerned.

Sample Selection

7. A sub-sample of approximately 4,000 employee records obtained from the May 1976 Survey of Employee Earnings and Hours, limited to full-time adult employees covered by awards (see paragraph 5), was selected and stratified by State and occupation group.

8. The sample design used for the construction of the indexes ensured that the indexes could be produced at a satisfactory level of reliability for all cross-classifications included in the new series.

Compilation

9. Data on award rates payable for 1976 and subsequent years were then compiled for each of the selected records (i.e. award designations). Estimates of weighted average award rates were calculated by expanding data for the sample of award designations. The estimates for June 1976 for each component of the series were then converted to an index value of 100.0. June 1976 was chosen as the reference base as it was considered that a mid-year base would be more convenient for users.

Major differences between the old and new series

The major differences between the old series and the rebased series which will replace it are outlined below:

OLD SERIES BASED ON 1954 SURVEYS OF AWARDS AND AWARD OCCUPATIONS

Base period

The old series was based on the occupation structure that existed in 1954, as measured by special sample surveys of awards and award occupations conducted during that year.

Coverage

Awards which related solely or mainly to 'wage' earners were included, while those relating solely or mainly to 'salary' earners were excluded. Of all employees covered by in-scope awards, only full-time adult employees were eligible for selection. Awards relating to employees in the Northern Territory and the Australian Capital Territory were excluded.

Rewards of weights used in the indexes

The 1954 Surveys of awards and award occupations were costly and imposed a substantial burden on employers. Consequently no major revision of the weighting structure of the old series has been possible until an alternative methodology could be developed.

Index numbers

At the base period in 1954, index numbers for sex X weekly rate hourly rate for all industries, Australia were set equal to 100 (4 series).

Minimum wage rates

The wage rates used for compilation purposes were generally the minimum rates for a full week's work prescribed for particular occupations (excluding overtime). Where different rates applied according to length of service, the lowest of these rates was used.

Output

Monetary amounts and index numbers in respect of weekly and hourly wage rates were produced for 'wage' earners only and cross-classified by State, sex, industry and Federal State awards.

The publication of the old Wage Rates Indexes included details of monetary amounts in addition to index numbers.

The publication of the old Wage Rates Indexes did not include any information about the standard hours of work used in the compilation of the index.

NEW SERIES BASED ON MAY 1976 SURVEY OF EMPLOYEE EARNINGS AND HOURS

The new series has been based on the occupation structure that existed in 1976, as measured in the May 1976 Survey of Employee Earnings and Hours. The index has been constructed with a reference base of June 1976 = 100.0.

Coverage consists of full-time adult wage and salary earners whose rates of pay are normally varied in accordance with awards, determinations, registered collective agreements plus some unregistered collective agreements. Employees in the Northern Territory and the Australian Capital Territory are represented.

In future, the weighting structure of the indexes will be reviewed at regular intervals. Analysis of results of the May 1983 Survey of Employee Earnings and Hours will be undertaken to determine whether any significant changes in occupation structure have occurred since 1976.

At the base period of June 1976, the index number for each State X sex X jurisdiction X industry X wage/ wage and salary earner cell is set equal to 100.0 (approx. 1500 series).

Where possible, an actual occupational grade or level within an occupation has been identified and used in the index.

Indexes of weekly award rates of pay will be published for 'wage and salary' earners. Separate indexes of weekly and hourly award rates of pay will be published for 'wage' earners to provide a link with the old series. Data will be cross-classified by State, sex, industry and Federal/ State awards.

Cross-classification for females by industry have been omitted for those industries where female employment is not statistically significant.

Monthly movements will be presented in the form of index numbers as is done for other indexes such as the Consumer Price Index and Wholesale Price Indexes.

Details of monetary amounts for States, occupation and industry groups for the reference base of June 1976 will be included in the publication.

Tables of standard hours of work by State and Industry for June 1976 and the current month will be published in the near future.